

Message Text

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ACTION AF-10

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TO SECSTATE WASHDC PRIORITY 3366
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AMEMBASSY MONROVIA
AMEMBASSY NIAMEY
AMEMBASSY NOUAKCHOTT
AMEMBASSY OUAGADOUGOU
AMEMBASSY PARIS
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SUBJ: SECOND ECOWAS FUND BOARD OF DIRECTORS MEETING-GROWING
PAINS/DISSENSIION/PROGRESS

1. SUMMARY: THE SECOND MEETING OF THE BOARD OF DIRECTORS OF
THE ECOWAS FUND WAS A STORMY AND VITRIOLIC SESSION. AT THE
HEART OF THE CLASH WERE DIFFERING CONCEPTS OF THE RELATION-
SHIP BETWEEN THE LOME-BASED FUND AND THE LAGOS-BASED SECRETARIAT.

IS THE FUND TO BE SUBORDINATE TO THE SECRETARIAT OR AN AUTONOMOUS ORGANIZATION? THE BATTLE WAS FOUGHT IN A SERIES OF SKIRMISHES OVER THE FUND'S 78/79 WORK PROGRAM (DEFERRED), THE 78 BUDGET (SLASHED), AND FUND STAFFING (LIMITED). NIGERIA LED THESE ASSAULTS WHICH AT TIMES DISINTEGRATED INTO AD HOMINEM ATTACKS ON THE FUND'S MANAGING DIRECTOR ROMEO HORTON. IN ALL CASES FUND PROPOSALS WERE CUT BACK OR DEFERRED, BUT A SUBSTANTIAL BASIS FOR FUND ACTIVITY REMAINS. NEVETHELESS, THIS ROUND WENT TO OPPONENTS OF FUND AUTONOMY.

2. A FOUR-NATION CONCILIATION COMMISSION REMAINS IN LOME TRYING TO WORK OUT A MODUS VIVENDI BETWEEN THE SECRETARIAT EXECUTIVE SECRETARY OUATTARA AND HORTON. THE WILY HORTON HAS THE SUPPORT OF PRESIDENT EYADEMA AND SEVERAL HEADS OF STATE. NIGERIA BACKS OUATTARA. HORTON'S US ORIENTATION HAS BEEN CRITICIZED BY NIGERIA. THE NEXT HEADS OF STATE SUMMIT IS SCHEDULED FOR MARCH OR BEFORE AND PROMISES TO BE LIVELY. GIVEN THE ENORMITY OF THE TASK OF ORGANIZING ECOWAS, THESE FIREWORKS ARE A NOT SURPRISING BY-PRODUCT OF THE INTERACTIONS OF 16 NATIONS AS THEY ATTEMPT TO FORM SUPRANATURAL INSTITUTIONS. END SUMMARY.

3. THE SECOND ECOWAS FUND BOARD OF DIRECTORS MEETING WAS HELD IN LOME JANUARY 6-7. IN PREPARATION FOR THE BOARD OF DIRECTORS MEETING, TECHNICAL LEVEL MEETINGS TOOK PLACE JANUARY 3-5. UNABLE TO FINISH IN THE TIME ALLOTTED,
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THE TECHNICAL MEETINGS CONTINUED INTO THE 6TH. THE AGENDA FOR BOTH MEETINGS PREPARED BY THE FUND STAFF CONSISTED OF THE FOLLOWING ITEMS: OLD BUSINESS, THE APPROVAL OF THE PROVISIONAL REPORT OF THE LAST BOARD OF DIRECTORS MEETING, ADOPTION OF FINANCIAL REGULATIONS GOVERNING THE FUND, PERSONNEL POLICY AND HARMONIZATION, THE 1978 BUDGET, AND THE 1978-79 WORK PROGRAM.

4. AT THE TECHNICAL LEVEL PERSONNEL POLICY AND HARMONIZATION WAS REVIEWED EXTENSIVELY. THE FUND STAFF HAD DRAWN UP PERSONNEL REGULATIONS ALMOST IDENTICAL TO THOSE APPROVED FOR THE ECOWAS SECRETARIAT WITH CERTAIN SPECIFIC DIFFERENCES DUE TO THE FUND'S SPECIALIZED NEEDS. THE TECHNICIANS WERE INITIALLY RELUCTANT TO APPROVE THOSE POSTS THAT DIFFERED. MOST OF THE FIRST DAY WAS SPENT DISCUSSING THE NEED FOR SPECIALIZED POSITIONS. EVENTUALLY THE PERSONNEL PLAN WAS APPROVED ESSENTIALLY UNALTERED TO GO FORWARD TO THE BOARD OF DIRECTORS.

5. ANOTHER AREA OF CONTROVERSY AT THE TECHNICAL LEVEL WAS TGE FUND'S PROPOSED WORKING PROGRAM FOR 78/79. THE WORK PROGRAM INCLUDED NOT ONLY THE ACTIVITIES TO BE CARRIED OUT BY EACH DEPARTMENT IN THE FUND, BUT SPECIFIC

PROPOSALS FOR THE FUND TO INITIATE STUDIES OF (1) DEVELOPMENT OF FISHERIES, (2) CEMENT INDUSTRIES, (3) PHOSPHATE MINING AND PROCESSING, AND (4) MONETARY SYSTEMS WITHIN ECOWAS. DISCUSSION OF THE PROPOSED 78/79 WORK PROGRAM, WHICH WAS HEATED AT THE TECHNICAL LEVEL, BECAME EXPLOSIVE AT THE BOARD OF DIRECTORS MEETING. THE CONTROVERSY WAS OVER THE DIVISION OF RESPONSIBILITIES FOR STUDIES BETWEEN THE FUND AND THE SECRETARIAT. THE FUND'S POSITION WAS THAT IT WAS ABSOLUTELY ESSENTIAL THAT ANY LENDING ORGANIZATION OR FINANCIAL GUARANTY ORGANIZATION HAVE WITHIN ITSELF THE CAPABILITIES TO ASSESS WHETHER OR NOT A PROJECT WAS FINANCIALLY FEASIBLE. THEREFORE, THE FUND WAS REQUESTING IN ITS WORK PROGRAM AUTHORITY TO PERFORM STUDIES AND THE TECHNICAL STAFF TO CARRY THEM OUT.

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THE FUND MAINTAINED THAT IT NEEDED THE CAPABILITY TO DO FINANCIAL STUDIES OF PROJECTS WHETHER OR NOT THE SECRETARIAT DID A POLICY STUDY ON THE SAME PROJECT AND PARTICULARLY IF THE SECRETARIAT PROPOSED THAT A PROJECT BE ASSISTED BY THE FUND. IN EXHAUSTION, THE TECHNICAL COMMITTEE FINALLY AGREED TO SUBMIT THE FUND'S ORIGINAL WORK PROGRAM TO THE BOARD FOR CONSIDERATION.

6. AT THE LAST SESSION OF THE TECHNICAL MEETING, NIGERIA MOVED THAT THE ACTUAL BOARD MEETING BEGIN A HALF DAY EARLIER THAN SCHEDULED IN THE HOPE THAT WORK COULD BE COMPLETED IN ONE DAY. DESPITE THIS EARLY START, THE BOARD SAT UNTIL SATURDAY EVENING- A HALF-DAY LONGER THAN INITIALLY SCHEDULED.

7. ALTHOUGH THE AGENDA HAD BEEN APPROVED AT THE TECHNICAL LEVEL, THE NIGERIAN COMMISSIONER FOR ECONOMIC DEVELOPMENT, DR ADEWOYE, TOOK EXCEPTION TO IT WHEN THE BOARD OF DIRECTORS MET. THIS PRECIPITATED A BITTER DISCUSSION IN WHICH SEVERAL SMALLER COUNTRIES, LED BY SIERRA LEONE AND GUINEA, ATTACKED NIGERIA AND DEFENDED THE ACTIONS OF THE TECHNICAL EXPERTS AND MANAGING DIRECTOR HORTON.

8. THROUGHOUT THE MEETINGS THE NIGERIANS WERE OPENLY HOSTILE TO THE FUND'S DIRECTOR, MR HORTON. THEY ATTACKED THE FUND'S PAST ACTIONS AND THE FUND'S ASSERTION OF ITS INDEPENDENCE OF ACTION. (ONE SOURCE SAYS THEY EVEN REQUESTED HORTON'S REMOVAL). SIDING WITH THE NIGERIANS

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WERE SEVERAL OTHER MINISTERS (NAMES AND COUNTRIES NOT
SPECIFIED) WHO WERE MAD BECAUSE HORTON HAD CONSISTENTLY
BYPASSED THEM AND GONE DIRECTLY TO THEIR HEADS OF
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STATE. THIS GROUP HELD THAT HE MUST BE RESPONSIVE TO THE
FUND'S BOARD OF DIRECTORS. FURTHER, THEY SAID THAT
HORTON HAD NOT COMPLIED WITH THE BOARD'S INSTRUCTIONS
AT THE LAST MEETING THAT THE 78/79 WORK PROGRAM BE

PREPARED IN CONSULTATION WITH THE ECOWAS SECRETARIAT.
THE BOARD DID NOT APPROVE THE WORK PROGRAM AND INSTRUCTED
HORTON TO REDO IT IN CONSULTATION WITH THE SECRETARIAT.

ON THE MEETING ALSO BROUGHT INTO THE OPEN THE PERSONALITY
AND PHILOSOPHICAL CLASHES BETWEEN FUND DIRECTOR HORTON
AND EXECUTIVE SECRETARY OUATTARA. OUATTARA CONCEIVES OF
ECOWAS AS A HIGHLY CENTRALIZED ORGANIZATION REPORTING TO
HIM. THIS VIEW HAS NIGERIAN SUPPORT. HORTON BELIEVES
THE FUND SHOULD BE AN AUTONOMOUS FINANCIAL INSTITUTION,
ONLY NOMINALLY SUBORDINATE TO THE SECRETARIAT. SIERRA LEONE
IS REPORTED TO HAVE OPPOSED THE NIGERIAN-OUATTARA
POSITION BY POINTING OUT THAT THE TREATY AND PROTOCOLS
CLEARLY SET FORTH A ROLE FOR THE FUND IN PRESCRIBING ITS
OWN ACTIVITIES. SUPPORTERS OF THIS VIEW WENT ON TO SAY THAT
HAD A CERTAIN AMOUNT OF INDEPENDENCE OF ACTION NOT BEEN
INTENDED BY THE FOUNDERS, THEY WOULD NOT HAVE SPECIFICALLY
LOCATED THE FUND IN A DIFFERENT COUNTRY FROM THE SECRETARIAT.

10. THE NIGERIAN MINISTER REPORTEDLY THEN SWITCHED
HIS FOCUS OF CRITICISM TO THE AMERICAN ORIENTATION OF
PLANNED FUND ACTIVITIES IN THE US FINANCIAL MARKET AND
THE EMPLOYMENT OF MR ANDREW BRIMMER AS CONSULTANT.
QUESTIONED WHY THE FORMER COLONIAL POWERS WERE BEING
GIVEN SHORT SHIFT, HORTON IS SAID TO HAVE DEFENDED
HIMSELF BY CITING HIS EARLIER EFFORTS, AS REPORTED AT THE
JULY 1977 BOARD MEETING, TO ESTABLISH RELATIONS WITH THE
EEC AND THE FORMER METROPOLES OF LONDON AND PARIS. HE
ALSO CITED RECENT EFFORTS TO ESTABLISH RELATIONS WITH
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BANKING CIRCLES IN THE NETHERLANDS AND BELGIUM.

11. AT ONE POINT, ACCORDING TO HORTON, EXECUTIVE
SECRETARY OUATTARA QUESTIONED FUND ACTIONS AND THE MEETING
AGENDA. HE WAS CHALLENGED FROM THE FLOOR ON A POINT OF
ORDER. WHEN THE MOTION WAS SUSTAINED BY CHAIRMAN PRO
TEMPORE GRUNITZKY, TOGOLESE MINISTER OF FINANCE, THE
EXECUTIVE SECRETARY WALKED OUT. HIS ACTION WAS BADLY
RECEIVED. ON THE SECOND DAY OF THE BOARD MEETING,
JANUARY 7, OUATTARA GAVE GRUNITZKY A HANDWRITTEN LETTER
PROTESTING THE CHAIRMAN'S ACTION OF THE PREVIOUS DAY.
OUATTARA ROSE TO LEAVE BUT WAS ASKED TO REMAIN WHILE
GRUNITZKY READ THE LETTER ALOUD. AFTER HEARING THE LETTER,
THE BOARD RECOMMENDED IT BE TABLED AND THE AGENDA
FOLLOWED, WHEREUPON OUATTARA LEFT THE MEETING AGAIN.

12. THE FUND ALSO WAS CRITICIZED FOR ITS PERSONNEL
PRACTICES. AT THE JULY 1977 MEETING HORTON HAD

BEEN INSTRUCTED TO LET GO SOME OF HIS PERSONALLY RECRUITED STAFF. THE COUNCIL FELT HE HAD NOT COMPLIED WITH THIS DIRECTIVE AND TIME WAS TAKEN TO REVIEW THE DOSSIERS OF CURRENT STAFF MEMBERS, EVALUATING WHETHER OR NOT THEY WERE QUALIFIED FOR THEIR POSITIONS AND IF SALARIES WERE REALISTIC. THE GENERAL CONSENSUS WAS THAT A LARGE PORTION OF THE STAFF WAS BEING OVERPAID. NO STUDIES-RELATED POSITIONS WERE APPROVED, AND THE DECISION WAS TAKEN TO VEST ALL AUTHORITY TO DO STUDIES IN THE LAGOS-BASED SECRETARIAT. THE FUND WILL BE INVITED TO PARTICIPATE IN SOME OF THE SECRETARIAT STUDIES. (REPORTEDLY THE SECRETARIAT CONTRACTED THE NIGERIAN INSTITUTE OF SOCIAL ECONOMIC RELATIONS (NISER) TO DO AN ECONOMIC SURVEY OF MEMBER STATES IN WHICH THE FUND WILL BE ASKED TO PARTICIPATE. THE SECRETARIAT HAS ALSO MADE ARRANGEMENTS WITH ECA TO DO A STUDY OF TELECOMMUNICATIONS AND TRANSPORTATION AND WITH UNCTAD TO UNDERTAKE A

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STUDY OF TRADE, CUSTOMS AND IMMIGRATION. THESE TWO STUDIES WILL BE DONE WITHOUT FUND PARTICIPATION.) FUND REQUESTS FOR ADDITIONAL STAFF WERE HELD TO 30 NEW POSITIONS. THE BOARD JUSTIFIED ITS ACTION IN APPROVING ONLY 30 SLOTS BECAUSE THE WORK PROGRAM HAD NOT BEEN ACCEPTED. THE APPROVED STAFF FOR 1978 IS APPROXIMATELY 75 POSITIONS. THE FUND'S PROPOSED BUDGET WAS ALSO SLASHED SINCE THE WORK PROGRAM WAS DEFERRED AND THE STAFF HIRING WAS LIMITED. ACCORDING TO HORTON, THE APPROVED BUDGET TOTALS \$3.4 MILLION.

13. THE NEXT EVENT ON THE ECOWAS CALENDAR WILL BE A HEADS OF STATE SUMMIT WHICH IS SCHEDULED TO BE HELD IN LAGOS BEFORE THE END OF MARCH. CONSIDERING THE UNFINISHED BUSINESS LEFT BY THIS MEETING, MOST NOTABLY THE 78/79 WORK PROGRAM, AND DISAGREEMENT CONCERNING THE RELATIONSHIP BETWEEN THE FUND AND THE SECRETARIAT, THE LAGOS SUMMIT WILL BE CRUCIAL IN DECIDING THE FUTURE DIRECTIONS OF ECOWAS.

14. COMMENT: ONE ECOWAS FUND STAFFER CHARACTERIZED THE MEETING AS THE STORMIEST HE HAD EVER ATTENDED. HE REPORTED THAT WHILE THE FUND HAD SURVIVED, ITS WINGS HAD BEEN CLIPPED. HE SAID HORTON WAS REASSESSING HIS POSITION AND INTENDS TO CHANGE HIS TACTICS. HE DESCRIBED HORTON AS A POLITICIAN/BANKER WITH STRONG BACKERS OF HIS OWN. HORTON'S GOAL NOW IS TO RECOVER SOME OF THE GROUND LOST AT THIS MEETING, PARTICULARLY IN THE AREAS OF AUTONOMY AND THE CAPABILITY TO UNDERTAKE PROJECT STUDIES.

15. IN THE MEANTIME, A FOUR NATION CONCILIATION

COMMITTEE IS MEETING IN LOME TO ATTEMPT TO RECONCILE
THE DIFFERENCES BETWEEN THE SECRETARIAT (OUATTARA)
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AND THE FUND (HORTON). THE TOGOLESE ARE PUSHING THIS
EFFORT TO REACH AN ACCORD. PRESIDENT EYADEMA HAS
COMMITTED HIMSELF UP TO NOW TO SUPPORT HORTON, BUT
KEY TOGOLESE MINISTERS (REPORTEDLY INCLUDING
GRUNITZKY AND MINISTER OF PLAN DOGO) DO NOT APPROVE OF
HORTON'S ACTIONS TO DATE. TOGOLESE COMMITMENT TO THE
SUCCESS OF THE FUND HAS BECOME AN IMPORTANT ELEMENT OF
THEIR FOREIGN POLICY; SO IF HORTON BECOMES AN
IMPEDIMENT TO THE FUND, HIS TOGOLESE SUPPORT COULD
DISAPPEAR.

16. IN FAIRNESS TO HORTON, AS MANAGING DIRECTOR OF THE
FUND, HE HAS PRESSED FORWARD WITH CONSIDERABLE DYNAMISM
AND SHREWDNESS TO SEIZE THE INITIATIVE AND EXPLOIT THE
INHERENT INDEPENDENCE OF THE FUND TO MAXIMUM ADVANTAGE.
IN DOING SO, HOWEVER, HE HAS MADE ENEMIES OF OUATTARA
AND NIGERIA. IT IS DISTURBING THAT THE US AND ECOWAS
FUND CONSULTANT ANDREW BRIMMER HAVE BEEN IMPLICITLY
CRITICIZED AS A RESULT. USG RELATIONS WITH ECOWAS SHOULD GO SLOW
UNTIL FUND/EXECUTIVE SECRETARIAT RELATIONS ARE CLARIFIED.

17. THE EMBASSY HAS OBTAINED THE PRELIMINARY DOCUMENTS
SUBMITTED BY THE FUND TO THE WORKING LEVEL. THESE WILL
BE POUCHED TO WASHINGTON. WHEN BOARD REVISIONS ARE
INCORPORATED IN THESE DOCUMENTS, THE REVISED PAPERS WILL BE
TRANSMITTED ALSO. PALMER

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